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MISSION

Washington, D.C. 20009

ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2004 AND ENDING December 31, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Accredited Equities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

801 Brickell Avenue - Suite #900

(No. and Street)

Miami

Florida

33131

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Steven Kanzer, President

305-789-6692

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Weinberg & Company, P.A.

(Name - if individual, state last, first, middle name)

6100 Glades Road, Suite 314, Boca Raton, Florida

33434

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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3/11/05
SS

OATH OR AFFIRMATION

I, Steven Kanzer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Accredited Equities, Inc., as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



M. Marcelletti
Commission #DD396092
Expires: FEB. 14, 2009
www.AARONNOTARY.com

M. Marcelletti 2-25-05
Notary Public

[Signature]

Signature

President

Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Report on Internal Control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**ACCREDITED EQUITIES, INC.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003**



ACCREDITED EQUITIES, INC.

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WEINBERG & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Accredited Equities, Inc.

We have audited the accompanying balance sheets of Accredited Equities, Inc. as of December 31, 2004 and 2003 and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Accredited Equities, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weinberg & Company, P.A.

WEINBERG & COMPANY, P.A.

Boca Raton, Florida
February 15, 2005

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ACCREDITED EQUITIES, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash	\$ 29,082	\$ 30,994
Due from related parties	-	8,000
Due from employee	-	3,500
Prepaid expenses	317	482
Total Current Assets	<u>29,399</u>	<u>42,976</u>
 Computer Equipment, Net	 <u>1,401</u>	 <u>2,802</u>
 <u>TOTAL ASSETS</u>	 \$ <u>30,800</u>	 \$ <u>45,778</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>5,152</u>	\$ <u>6,545</u>
 TOTAL LIABILITIES	 <u>5,152</u>	 <u>6,545</u>
 STOCKHOLDER'S EQUITY		
Common stock, \$.01 par value, 100 shares authorized, 50 issued and outstanding	1	1
Additional paid-in capital	107,354	87,354
Accumulated deficit	<u>(81,707)</u>	<u>(48,122)</u>
 TOTAL STOCKHOLDER'S EQUITY	 <u>25,648</u>	 <u>39,233</u>
 <u>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</u>	 \$ <u>30,800</u>	 \$ <u>45,778</u>



ACCREDITED EQUITIES, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUE	\$ <u>-</u>	\$ <u>33,165</u>
OPERATING EXPENSES		
Commissions expense	3,500	34,506
General and administrative	22,384	31,894
Consulting	1,701	2,816
Bad debts	<u>6,000</u>	<u>-</u>
Total Operating Expenses	<u>33,585</u>	<u>69,216</u>
<u>NET LOSS</u>	\$ <u>(33,585)</u>	\$ <u>(36,051)</u>

See accompanying notes to financial statements.



ACCREDITED EQUITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, December 31, 2002	50	\$ 1	\$ 87,354	\$ (12,071)	\$ 75,284
Net loss	-	-	-	(36,051)	(36,051)
Balance, December 31, 2003	50	1	87,354	(48,122)	39,233
Capital contributions	-	-	20,000	-	20,000
Net loss	-	-	-	(33,585)	(33,585)
<u>BALANCE,</u> <u>DECEMBER 31, 2004</u>	<u>50</u>	<u>\$ 1</u>	<u>\$ 107,354</u>	<u>\$ (81,707)</u>	<u>\$ 25,648</u>

See accompanying notes to financial statements.



ACCREDITED EQUITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (33,585)	\$ (36,051)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	1,401	1,401
Bad debts	6,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		38,012
Due from related parties	2,000	(2,000)
Due from employee	3,500	(3,500)
Prepaid expenses	165	1,431
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,393)	4,151
Net Cash (Used In) Provided By Operating Activities	<u>(21,912)</u>	<u>3,444</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributed capital	20,000	-
Net Cash Provided By Financing Activities	<u>20,000</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(1,912)	3,444
CASH - BEGINNING OF YEAR	<u>30,994</u>	<u>27,550</u>
<u>CASH - END OF YEAR</u>	<u>\$ 29,082</u>	<u>\$ 30,994</u>

See accompanying notes to financial statements.



ACCREDITED EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Organization and Description of Business

Accredited Equities, Inc. (the "Company") was incorporated in Delaware on November 6, 2000. The Company is a broker-dealer, which was formed for the purpose of registering as a National Association of Securities Dealers, Inc. ("NASD") broker-dealer. In 2003, the Company reached an agreement with NASD to engage only in the business set forth as follows:

"The firm will engage in the business of structuring private placements of both debt and equity securities, on the client's behalf and act as a mergers and acquisitions consultant on a fee for service basis" (See Note 1(E)).

The Company is also required to maintain a minimum net capital requirement of \$5,000 and will not hold customer funds or safe-keep customer securities.

(B) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(C) Computer Equipment

Computer equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which is five years.

(D) Income Taxes

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes, the stockholder of an S Corporation is taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.



ACCREDITED EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003

(E) Revenue Recognition

The Company recognizes revenue when it bills fees to clients for the services it performs, and has determined the fees to be collectible. (See Note 1(A)).

(F) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amount of the Company's financial instruments, including cash, related party receivables, accounts payable and accrued liabilities approximates their fair value due to the relatively short-term nature of these instruments.

(G) Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash.

NOTE 2

COMMISSIONS

On April 15, 2003 the Company entered into a selected dealer agreement with an independent placement agent to act as a sub-agent under a placement agency agreement between DOR Biopharma, Inc. a Delaware corporation and the placement agent relating to the offering by DOR Biopharma, Inc. of shares of units consisting of shares of common stock, par value \$0.001 per share and warrants to purchase 25% of the shares sold in the offering. The president and sole stockholder of Accredited Equities, Inc. is a member of the Board of Directors of DOR Biopharma, Inc. According to the terms of the agreement, the Company received commissions equal to seven percent (7%) of the gross proceeds received from investors. The agreement terminated at the close of business on the day of the termination of the offering of the units in September 2003. For the year ended December 31, 2003, the Company recognized \$31,000 in commissions revenue under the agreement.

The Company did not enter into any placement agency agreements during 2004 and therefore did not recognize any commission revenue during the year ended December 31, 2004.



ACCREDITED EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003

NOTE 3 **COMPUTER EQUIPMENT, NET**

Computer equipment, net consists of the following as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Computer equipment	\$ 7,005	\$ 7,005
Less: Accumulated depreciation	<u>(5,604)</u>	<u>(4,203)</u>
Computer equipment, net	\$ <u>1,401</u>	\$ <u>2,802</u>

Depreciation expense, included in general and administrative expenses, for the years ended December 31, 2004 and 2003 was \$1,401 in each year.

NOTE 4 **RELATED PARTY TRANSACTIONS**

On January 1, 2002, the Company entered into an office services agreement with a related company. The president and sole stockholder of the Company is the sole stockholder of the related company. The agreement provides for office services to be rendered on a month-to-month basis. The Company charged \$9,600 and \$6,400 to operations under this agreement for the years ended December 31, 2004 and 2003, respectively.

On January 31, 2002, the Company entered into two agreements to provide financial advisory service to two related companies. The president and sole stockholder of the Company is the majority stockholder of the two related companies. The agreements originally provided for services to be rendered for a period of twelve months at \$2,000 per month. On August 1, 2002, the terms of the agreements were amended to a fee of \$1,000 per month. The agreement expired in January 2003. For the year ended December 31, 2003, the Company recorded advisory fee income of \$2,000. At December 31, 2003, \$8,000 was due to the Company.

During the year-ended December 31, 2004, the Company recorded collections of \$2,000 on the accounts receivable and the balance of \$6,000 was written off to bad debts.

Also see Note 5(A) for a related party transaction.



ACCREDITED EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003

NOTE 5 **COMMITMENTS AND CONTINGENCIES**

(A) Placement Agency Agreement

On January 10, 2005 the Company entered into a placement agency agreement with Effective Pharmaceuticals, Inc., a related company, to introduce it's client to potential qualified investors to purchase units consisting of shares of the Series B preferred stock for a price of \$100,000. The agreement is effective from the date the agreement was entered into until April 30, 2005. The terms of the agreement call for an 8% commission earned on the aggregate purchase price of units sold and a 9% commission earned on the number of warrants sold to acquire shares of stock of the Company's client. Commissions earned will be paid to the Company during the twelve months following the closing date of the offering. The president and sole stockholder and the managing director of the Company are directors and majority stockholders of the related company.

(B) Selected Dealer Agreement

On January 12, 2005, pursuant to the Placement Agency Agreement, the Company entered into a selected dealer agreement with an unrelated third party to act as an exclusive placement agent for the offer and sale of a minimum of 10 units and a maximum of 60 units, each consisting of 100,000 newly issued shares of the Series B preferred stock of Effective Pharmaceuticals, Inc. The terms of the agreement call for a 6% commission to be paid on the aggregate purchase price of units sold and a 7% commission earned on the number of warrants sold to acquire shares of stock of Effective Pharmaceuticals, Inc. The agreement is effective on the date it was entered into until the termination of the offering or April 30, 2005.

(C) Selected Dealer Agreement

On January 26, 2005, pursuant to the Placement Agency Agreement, the Company entered into a selected dealer agreement with an unrelated third party to act as an exclusive placement agent for the offer and sale of a minimum of 10 units and a maximum of 60 units, each consisting of 100,000 newly issued shares of the Series B preferred stock of Effective Pharmaceuticals, Inc. The terms of the agreement call for a 6% commission to be paid on the aggregate purchase price of units sold and a 7% commission earned on the number of warrants sold to acquire shares of stock of Effective Pharmaceuticals, Inc. The agreement is effective on the date it was entered into until the termination of the offering or April 30, 2005.





WEINBERG & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY
INFORMATION REQUIRED BY RULE 17A-5 OF THE
SECURITIES AND EXCHANGE COMMISSION**

To the Board of Directors of:
Accredited Equities, Inc.

We have audited the accompanying balance sheets of Accredited Equities, Inc. as of and for the years ended December 31, 2004 and 2003, and have issued a report thereon dated February 15, 2005. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weinberg & Company, P.A.

WEINBERG & COMPANY, P.A.

Boca Raton, Florida
February 15, 2005

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ACCREDITED EQUITIES, INC.
SCHEDULE I – COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Computation of Net Capital		
Shareholders' Equity:	\$ 25,648	\$ 39,233
Less: Non-allowable assets	1,718	14,784
Add: Subordinated loans	-	-
Tentative Net Capital	<u>23,930</u>	<u>24,449</u>
Haircuts on securities inventory	-	-
Net Capital	<u>23,930</u>	<u>24,449</u>
Computation of Aggregate Indebtedness		
Accounts payable and accrued expenses	<u>5,152</u>	<u>6,545</u>
Total Aggregate Indebtedness	<u>5,152</u>	<u>6,545</u>
Computation of Required Minimum Net Capital		
Calculation of Required Capital (the greater of):		
Regulatory minimum or	5,000	5,000
Calculated minimum (aggregate indebtedness @ 6.67%)	344	437
Required Capital	<u>5,000</u>	<u>5,000</u>
Net in Excess of Requirement	\$ <u>18,930</u>	\$ <u>19,449</u>
Ratio of aggregate indebtedness to net capital	.22 to 1	.27 to 1
Percentage of aggregate indebtedness to net capital	22%	27%
Net Capital as reported in December 31, 2004 and 2003		
Form X-17A-5, Part IIA (unaudited) FOCUS report	23,131	23,649
Increase in opening retained earnings	799	800
Net Capital, Per Above	<u>\$ 23,930</u>	<u>\$ 24,449</u>



See independent auditors' report on supplementary information.



Board of Directors
Accredited Equities, Inc.

In planning and performing our audits of the financial statements and supplementary schedule of Accredited Equities, Inc. (the "Company"), as of and for the years ended December 31, 2004 and 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls and the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2004 and 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be used by anyone other than these specified parties.

Weinberg + Company, P.A.

WEINBERG & COMPANY, P.A.

Boca Raton, Florida
February 15, 2005

